

The Central Bank of The Bahamas BANK SUPERVISION DEPARTMENT
Quarterly Letter to All Senior Officials 03/15
Email: Email Address Licensee: Name

Dear Senior Official,

During this past quarter, the Central Bank has been absorbed in preparation for the upcoming **Caribbean Financial Action Task Force's (CFATF)** fourth round review of the country's KYC/AML/CFT supervisory framework. In readiness for this review, the Central Bank, along with other domestic regulatory agencies, have conducted self-assessments of the country's legal and regulatory AML/CFT framework against the FATF's 2012 revised Recommendations and developed a gap analysis of the changes needed to facilitate greater compliance with these standards. We look forward to partnering with you, our stakeholders, to facilitate this important assessment and to identify any needed changes to our legislation and guidelines.

In our continuing efforts to ensure a robust KYC/AML/CFT framework, we are pleased to advise that the **Guidelines for Assessing the Fitness and Propriety of Applicants for Regulated Functions (Fit and Proper Guidelines)** have been updated and posted to the Bank's website. These documents were revised to reflect the amendments in the Banks and Trust Companies Regulation (Amendment) Act, 2015, relating to fitness and propriety, and now include a section related to an applicant's previous disciplinary record and general compliance history. Additionally, the Guidelines, which now extend to Registered Representatives and non-bank money transmission businesses and their agents, clarify the regulated functions that should be approved by the Central Bank.

We are making steady progress with our **Basel II & III Implementation** programme. On Friday, 9th October, 2015, the Bank released two (2) consultative papers [the **Calculation of the Capital Charge for Credit Risk - Standardized Approach**, together with the **Basel II and III ERS Form template** and the **Guidelines for the Internal Capital Adequacy Assessment Process for Licensees**], for a thirty-day (30) comment period. We look forward to receiving your comments by the stated deadline of **9th November, 2015**.

On another matter related to our capital regime programme, we have revisited our position on **Zone A/Zone B classification** as currently used to determine risk ratings of licensee's exposure versus the application of external credit agency ratings, consistent with the Basel II/III framework. After much consideration, our decision is to allow licensees to use the respective country credit ratings, rather than the Zone A and Zone B classifications, in relation to capital adequacy, liquidity and large exposures. In the coming months, necessary amendments will be made to our capital adequacy guidelines, as well as to our liquidity and large exposures regulations and guidelines to align them with the Basel framework.

Moving now to our **Online Reporting and Information Management System (ORIMS)**, we draw licensee's attention to our Notice dated 2nd October, 2015, advising of the most recent updates to the ORIMS Portal relative to the Financial Returns template. The revised Excel template (**Financial Returns Template v2.2**) has been posted to the ORIMS Portal and can be accessed by selecting: Documents → Portal Documents → Templates; and to the Bank's website at www.centralbankbahamas.com under: Bank Supervision → Regulatory Framework → Downloadable Forms → New ORIMS Forms 2015.

Since last quarter, another focus area for the Central Bank has been credit unions. Having assumed responsibility for their regulation and supervision on 1st June, we have since worked diligently and in close cooperation with the industry to effect a smooth transition. An industry briefing was held where we engaged stakeholders to convey our supervisory expectations, introduced our Central Bank team and discussed various transition arrangements. We also

convened individual meetings with each of the credit unions and released five (5) draft risk management guidelines, as well as the draft uniformed bye-laws for industry consultation. The Bank is now in the process of reviewing comments received on these documents, and we have commenced our 2015 round of on-site examinations.

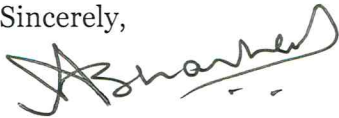
Turning now to administrative matters, we are pleased to inform you of the Central Bank's policy with respect to **MLROs in nominee trust companies**. The decision was taken to not require nominee trust licensees to appoint a separate individual to serve as the MLRO. Instead, the individual appointed to serve as the MLRO of the parent of the nominee trust licensee may also serve as the MLRO for its nominee trust companies that are licensed by the Central Bank. The Board of Directors' resolution submitted to the Central Bank and the notification provided to the Financial Intelligence Unit, for the appointment of the MLRO of the parent, should state that the same individual will serve in both capacities. This policy has been outlined in a **Guidance Notice issued on 2nd September, 2015**.

Finally, as an update of the recently introduced **Administrative Monetary Penalties Regime**, we are presently fine-tuning work on our internal framework and operational arrangements relative to support of the framework and soon will communicate with you on the next steps.

Any questions regarding this letter should be directed to:

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Sincerely,



Abhilash D. Bhachech
Inspector of Banks & Trust Companies

27th October, 2015